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**4 SEM TDC ECO M 2**

**2017**

( May )

**ECONOMICS**

( Major )

Course : 402

( Public Economics )

Full Marks : 80

Pass Marks : 32/24

Time : 3 hours

The figures in the margin indicate full marks  
for the questions

1. Choose the correct answer of the following :

1×8=8

- (a) According to Musgrave, the major function of public finance is
- (i) allocation function
  - (ii) distribution function
  - (iii) stabilization function
  - (iv) All of the above

- (b) An important characteristic of a pure public good is that it would be subjected to the law of
- (i) decreasing costs
  - (ii) increasing costs
  - (iii) constant costs
  - (iv) All of the above
- (c) Which hypothesis is related to the tolerance level of taxation?
- (i) Wiseman-Peacock hypothesis
  - (ii) Critical limit hypothesis
  - (iii) Wagner's law
  - (iv) None of the above
- (d) An excise duty is fully borne by the buyers, when price elasticity of demand for the product is
- (i)  $\infty$
  - (ii) 0
  - (iii) 1
  - (iv) between 1 and  $\infty$

- (e) What are the ways through which the Central Government can finance expenditure?
- By printing currency and borrowing
  - By imposing taxes
  - Neither (i) nor (ii)
  - Both (i) and (ii)
- (f) Peacock-Wiseman hypothesis supports in a much stronger manner the possibility of
- a continuous upward trend in public expenditure
  - a downward trend in public expenditure
  - a constancy of public expenditure
  - a mixed trend in public expenditure

(g) In the case of external debt, there is a transfer of payment from the debtor country to the creditor country. This burden refers to

- (i) direct money burden
- (ii) direct real burden
- (iii) indirect money burden
- (iv) indirect real burden

(h) Public enterprises in India have developed only in

- (i) key and public industries
- (ii) service industries
- (iii) consumer goods industries
- (iv) All types of industries

2. Write short notes on any *four* of the following  
**(within 150 words each) :**  $4 \times 4 = 16$

- (a) Public goods vs. private goods
- (b) Characteristics of a good tax system
- (c) Economic and social causes of growth in public expenditure in less developed countries
- (d) Role of external debt
- (e) Public utilities

Answer the following questions **(within 500 words each)** :

3. (a) Write the meanings of merit goods, mixed goods and club goods. Discuss the role of government in providing merit goods.  $6+5=11$

*Or*

(b) Explain the role of public finance in less developed countries. Do you notice any structural change in public finance operations in the context of globalization? Justify.  $7+4=11$

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4. (a) Define taxable capacity. How can it be measured? Explain the significance of taxable capacity.  $2+5+5=12$

Or

- (b) Analyze the theory of 'ability to pay' in imposing taxes. Which is the best index of ability to pay?  $9+3=12$

5. (a) Explain the Wiseman-Peacock hypothesis of public expenditure. Does it provide a better understanding of the nature of growth of public expenditure?  $8+3=11$

Or

- (b) Discuss the roles of public expenditure in 'economic growth' and 'socio-economic stability' of the less developed economies.  $6+5=11$

6. (a) What is public debt? What are the effects of public borrowing in an economy? Elucidate.  $2+9=11$

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Or

- (b) Can the burden of public debt be shifted to future generations? Justify.       $1+10=11$

7. (a) Describe the role of public enterprises in the less developed countries.      11

Or

- (b) What are the main objectives of public enterprises? Briefly explain the price policy of public enterprises with a special reference to 'no profit no loss theory'.       $4+7=11$

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